

Message Text

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FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 7358

INFO AMEMBASSY ABIDJAN

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY NIAMEY

AMEMBASSY NAIROBI

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

C O N F I D E N T I A L COTONOU 984

EO 11652: GDS

TAGS: EINV, DM

SUBJ: DAHOMEAN GOVT'S PERFORMANCE ON INDEMNIFICATION OF
FOREIGN INTERESTS SEIZED LAST DECEMBER

REF A. COTONOU A-58 B. COTONOU 929 C. COTONOU 23 D. COTONOU

1993, DEC 31, 1974 E. COTONOU 1976, DEC 27, 1974

COTONOU 1877, DEC 5, 1974

BEGIN SUMMARY: THIS CABLE APPRAISES DAHOMEAN GOVT'S PERFOR-
MANCE IN INDEMNIFYING FOREIGN INTERSTS FIRMS WHOSE LOCAL
ASSETS WERE SEIZED BY THE DAHOMEAN GOVT LAST DEC. TO
DATE, MRGD HAS REACHED AGREEMENT IN ONLY TWO OUT OF MORE
THAN A DOZEN CASES. OTHER FIRMS HAVE EITHER NOT BEEN CONTACTED
BY GOVT OR HAVE BEEN WAITING MORE THAN SIX MONTHS FOR THE
GOVT'S INITIAL RESPONSE TO THEIR DEMANDS FOR COMPENSATION.
REASONS FOR DELAY IN NEGOTIATING SETTLEMENTS INCLUDE A) THE
EMPTY STATE OF DAHOMEY'S TREASURY, B) LACK OF GOVT'S
UNDERSTANDING OF ECONOMIC AND FINANCIAL MATTERS, AND C) RELATIVELY
SMALL AMOUNT OF TIME MINISTERS SPEND ON SUBSTANTIVE PUBLIC
BUSINESS, OWING TO THEIR PREOCCUPATION WITH IDEOLOGY AND
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RETENTION OF POWER. END SUMMARY

1. FOLLOWING SUMS OF THE PRESENT STATUS XOF GOVT INDEMNITY PAYMENTS DUE THE FOREIGN COMPANIES WHOSE INTERESTS IN DAHOMEY WERE SEIZED LAST DEC 3 AND 4:

A. OIL COMPANIES: SHELL IS THE ONLY OIL FIRM WITH WHICH DAHOMEAN GOVT HAS REACHED AN AGREEMENT. GOVT DID SO WITHIN WEEKS OF THE MEASURES BEING ANNOUNCED, PROBABLY IN ORDER TO BE ABLE TO ESTABLISH A CLAIM THAT IT WILL SETTLE WITH FIRMS THAT IT FINDS "COOPERATIVE". SHELL HAD BEEN PRESSING THE GOVT TO PURCHASE ITS DAHOMEAN OPERATION LONG BEFORE THE NATIONALIZATION. AGIP, ALMOST AS UNPROFITABLE AS SHELL AND ALSO DISPOSED TO GET OUT OF DAHOMEY, REPORTEDLY WAS NOT FAR FROM AGREEMENT LAST JAN, BUT IN THE END REFUSED TO ACCEPT GOVT'S FINAL OFFER. REMAINING FIRMS (BP, TOTAL, MOBIL, TEXACO) SUBMITTED THEIR DEMANDS FOR COMPENSATION TO THE GOVT COMMISSION ON PETROLEUM NATIONALIZATIONS PROMPTLY BY EARLY JAN, BUT HAVE SINCE HEARD NOTHING. WE HAVE LEARNED THAT THIS COMMISSION SUFFERED CASUALTIES IN THE PURGE OF CIVIL SERVANTS LAST MARCH AND IN EFFECT FOLDED UP. NEWLY-RECONSTITUTED COMMISSION HAS BEEN NAMED AND PRESUMABLY WILL RESUME DELIBERATIONS AT SOME POINT IN FUTURE.

B. BANKS. GOVT INTENTION TO TAKE SHARES IN TWO COMMERCIAL BANKS--BANQUE INTERNATIONALE POUR L'AFRIQUE OCCIDENTALE (BIAO) AND BANQUE INTERNATIONALE POUR LE COMMERCE ET L'INDUSTRIE (BICI) WAS NEVER CARRIED OUT. (NOTE: THESE BANKS WERE FULLY NATIONALIZED SEVEN MONTHS LATER ON JUNE 27). HOWEVER, THE GOVT DID IMPLEMENT ITS NATIONALIZATION DESIGNS WITH RESPECT TO THE SOCIETE DAHOMEENNE DE BANQUE (SDB) AND THE BANQUE DAHOMEENNE DE DEVELOPPEMENT (BDD). THE SDB'S FORMER SHAREHOLDERS (FRENCH, GERMAN AND ITALIAN) WERE CONVOKED TO COTONOU IN APRIL; THEY WERE ABLE TO REACH AGREEMENT ON COMPENSATION AND DRAW UP A "PROTOCOLE D'ACCORD". THIS AGREEMENT WAS SIGNED IN EARLY MAY, AND FIRST PAYMENT OF SOME \$850,000 WAS MADE TO THE FORMER SHAREHOLDERS ABOUT ONE MONTH LATER. NO AGREEMENT HAS BEEN REACHED WITH BDD SHAREHOLDERS, AMONG WHICH ARE THE FRENCH GOVT CAISSEE CENTRALE DE COOPERATION ECONOMIQUE AND THE BANQUE CENTRALE DES ETATS DE L'AFRIQUE DE L'OUEST (BCEAO). CAISSE RECENTLY SENT STRONG COMMUNICATION TO DAHOMEAN GOVT

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ASKING FOR STATUS REPORT ON ITS DEMAND FOR COMPENSATION. APPARENTLY BCEAO IS ENDEAVORING TO HAVE ITS ERSTWHILE 10 PERCENT INTEREST IN THE BDD RESTORED, IN ORDER TO MAINTAIN A SHARE IN EACH OF THE DEVELOPMENT BANKS OF THE SIX WEST AFRICAN COUNTRIES WHICH IT SERVES.

C. INSURANCE COMPANIES: GOVT ASSUMED CONTROL OF PORTFOLIOS OF INSURANCE COMPANIES FORMERLY OPERATING IN DAHOMEY. TO DATE,

NO DISCUSSIONS HAVE BEEN HELD ON INDEMNIFICATION.

D. FRANCE-CABLES-RADIO, THE INTERNATIONAL TELE-COMMUNICATIONS COMPANY, LOST ITS DAHOMEAN OPERATION TO THE GOVT IN DEC 74. IT, TOO, HAS NOT BEEN CONTACTED RE INDEMNIFICATION.

E. AUTOMOBILE CREDIT: SINCE THE STATE DID NOT SPECIFICALLY NATIONALIZE THE LONE EXISTING AUTO LOAN COMPANY, BUT MERELY DECLARED SUCH LOANS A STATE MONOPOLY, THE QUESTION OF INDEMNIFICATION DID NOT ARISE. THE GOVT'S ACTION SIMPLY WIPED OUT THAT COMPANY, BY FORBIDDING IT TO DO ANY MORE BUSINESS. ONLY THE STATE MAY NOW WRITE AUTO INSURANCE.

F. SIMILARLY, THE GOVT ANNOUNCED ASSUMPTION OF MONOPOLY ON FREIGHT FORWARDING, BUT SO FAR HAS BEEN INCAPABLE OF PUTTING THAT MEASURE INTO EFFECT. GOVT SPONSORED UNION OF DAHOMEAN FREIGHT-FORWARDING COMPANIES HAS YET TO BE ORGANIZED, AND GOVT HAS IN PRACTICE ALLOWED FRENCH-OWNED FIRMS TO REMAIN IN OPERATION ON PROVISIONAL BASIS DESPITE DEC DECREE GRANTING MONOPOLY TO THE STATE. GOVT IS INCAPABLE OF COMPLETELY TAKING OVER THIS ECONOMIC AREA AT THIS TIME.

3. COMMENT: GOVT'S RECORD ON LIVING UP TO ITS PROMISE TO INDEMNIFY FOREIGN FIRMS WHOSE INTERESTS WERE TAKEN OVER LAST DEC IS POOR. IN A FEW CASES IT HAS OPENED LINES OF COMMUNICATION WITH FIRMS INVOLVED, BUT HAS NOT FOLLOWED THROUGH TO AN AGREEMENT EXCEPT WITH SHELL AND WITH SDB'S FOREIGN SHAREHOLDERS. IN ALL REMAINING CASES, THE GOVT HAS DONE NOTHING.

4. THERE ARE THREE REASONS FOR THE GOVT'S INACTION ON INDEMNIFICATION: A) SINCE THE DEC TAKE-OVERS, IT HAS BEEN LARGELY PREOCCUPIED WITH IDEOLOGY AND IT HAS HAD TO STRUGGLE CONSTANTLY TO REMAIN IN POWER, B) IT DOES NOT HAVE THE MONEY TO INDEMNIFY CONFIDENTIAL

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THE INTERESTS TAKEN OVER, AND C) ITS UNDERSTANDING OF ECONOMIC AND FINANCIAL MATTERS IS ONLY FRAGMENTARY. USING THE OFT-CITED MODEL OF THE TAKE-OVER OF THE FRENCH WATER AND POWER FIRM IN EARLY 1973, (SEE REF A) MINISTERS ANNOUNCED TO US CONFIDENTLY IN DEC THAT THE GOVT COULD PAY INDEMNITIES FROM THE ASSETS AND PROFITS OF THE PRIVATE BUSINESSES TAKEN OVER. EXPERIENCE IS PROVING THEM WRONG. EVEN IF EFFICIENTLY MANAGED, THE GOVT AGENCIES ESTABLISHED TO RUN THE BUSINESSES IN QUESTION WILL NEED YEARS TO EARN ENOUGH TO PAY OFF THE PREVIOUS OWNERS.

5. INFORMED OPINION IN COTONOU IS SOLIDLY OF THE VIEW THAT THE MEASURES ANNOUNCED JUNE 27 WILL HAVE THE SAME KIND OF HISTORY AS THOSE OF LAST DEC (I.E. LITTLE PAYMENT, LITTLE NEGOTIATION, FAILURE TO TAKE OVER EFFECTIVELY IN SOME CASES). SOME OBSERVERS, INCLUDING THE SOVIET EMBASSY, HAVE PREDICTED THAT THE LATEST

MEASURES WILL NEVER BE PUT INTO EFFECT AND ARE JUST A BLUFF
TO RALLY SUPPORT FOR THE REGIME IN TIME OF DEEP POLITICAL
CRISIS. WE HOWEVER BELIEVE THE DAHOMEAN GOVT WILL ATTEMPT TO
IMPLEMENT ITS DECISION I.E., IT WILL MAKE AN EFFORT TO TAKE

OVER THE INTERESTS IN QUESTION, ALBEIT SLOWLY AND PAINFULLY.
BUT WE SEE LITTLE HOPE THAT JUST COMPENSATION WILL BE PAID
WITHIN A REASONABLE PERIOD OF TIME. IN SOME, PERHAPS MOST,
CASES, IT MAY NEVER BE PAID AT ALL. END COMMENT

6. FOR ABIDJAN: PLEASE BRIEF MOBIL AND TEXACO ON THE ABOVE.

FOR NAIROBI: PLEASE BRIEF KENNETH LUSSIER, VP FOR AFRICA,
FIRST NATIONAL CITY BANK.
ENNGLE

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